Memorandum

U.S. Department of Transportation
Office of the Secretary of Transportation

Subject: Policy for Active Validation of Obligations

Date: December 28, 1999

From: David Kleinberg (original signed by)
Deputy Chief Financial Officer

To: Chief Financial Officers
Financial Management Committee

In the normal course of business operations, your organization processes obligations and expenditures for projects, contracts, and reimbursable agreements (PCR), etc. In many cases, these PCRs are active over a period of several years. During the life of a PCR the actual costs may increase or decrease, as estimates become real. Annually, we need to actively assure ourselves that the amount obligated (and unexpended) for a PCR does not exceed the estimated needs.

Your review efforts should concentrate on the following categories:

PCRS with unexpended obligations over $5.0 million

PCRs with unexpended obligations over $1.5 million and no expenditures for the past 18 months

PCRs with unexpended obligations over $0.5 million and no expenditures for the past 30 months

Your review activity should be aimed at validating the obligation to ensure that they are necessary for the completion of the PCR. " A proper and unliquidated obligation should not be deobligated unless there is some valid reason for doing so. Absent a valid reason, it is improper to deobligate funds solely to free them up for a new obligation. To do so risks violating the Anti-Deficiency Act". (See the REDBOOK, page 7-52).

The process outlined above is the default departmental process. Operating Administrations that desire to establish an alternative process should forward their proposal to the Office of Financial Management for approval.